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PP RUEHIK
DE RUEHAH #1570/01 3410955
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FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC 3852
INFO RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 5960
RUEHBJ/AMEMBASSY BEIJING 3654
RUEHKO/AMEMBASSY TOKYO 3513
RUEHIT/AMCONSUL ISTANBUL 4202
RUCNDT/USMISSION USUN NEW YORK 1289
RHMCSUU/CDR USCENCOM MACDILL AFB FL
RUEHVEN/USMISSION USOSCE 4144
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC

UNCLAS SECTION 01 OF 02 ASHGABAT 001570

SENSITIVE

SIPDIS

STATE FOR SCA/CEN; EEB; NEA/IR
ENERGY FOR EKIMOFF/BURPOE/COHEN
COMMERCE FOR EHOUSE, DSTARKS

E.O. 12958: N/A

TAGS: [ECON](#) [EINV](#) [ETRD](#) [KCOR](#) [PGOV](#) [TX](#)

SUBJECT: TURKMENISTAN: BIDDING ON GOVERNMENT TENDERS; TRICKY BUSINESS

REF: ASHGABAT 1249

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11. (U) Sensitive but Unclassified. Not for public Internet.

12. (SBU) SUMMARY: Bidding on Turkmen Government tenders requires an understanding of both the official process, as laid out in the regulation on tenders, and the unwritten rules. Under the table payments to state officials can reportedly amount to 10-15 percent of the contract value. The Turkmen Government considers the procurement of high quality goods and services a priority, but also considers which companies or countries are in favor with the president. For several years, the Turkmen Government has favored Chinese suppliers for political reasons, and because they provide good post-sales service and cheap spare parts. END SUMMARY.

13. (SBU) The Turkmen Government in the 1990s established consistent and somewhat transparent procedures, as described in the regulation on tenders, to ensure competition in bidding on procurement and project tenders. The tenders are announced regularly in local newspapers and on government websites, including the Oil and Gas Ministry website. Tender application packages must include a price quote that specifies delivery terms; a statement on the applicant's financial status, issued by a bank; a detailed technical description of the proposed equipment or materials; brief background on the manufacturer; a written commitment on precise delivery terms; and an agreement to accept payment on delivery. The Supreme Control Chamber and the Commodity and Stock Exchange of Turkmenistan scrutinize the bids' authenticity and feasibility. The Director of Technical Procurement at state-owned companies like Turkmengas and Turkmenoil is generally the person who makes the official, final decision about which company wins the tender. However, according to contacts in the Turkmen Government, the Director often solicits input from

the engineers and technicians that will use the equipment or work on the project.

¶4. (SBU) A tender bidder must pay an entry fee of \$200 for procurements, or up to \$2500 for major project tenders. Companies frequently engage a local representative to deliver the proposal package to the tender commission. According to companies that have experience bidding on Turkmen Government tenders, companies, or their representatives, usually pay money under the table to tender commission officials and even end-users, like technicians and engineers. Such payments, usually between 10-15 percent of the contract value, do not guarantee a win; they just keep the bidder in the running. The Turkmen Government also frequently requests discounts from the companies whose proposals they are considering. Experienced companies take this into account when writing their proposals and inflate the initial price.

¶5. (SBU) Government officials have told tender bidders that product quality is the most important factor in selecting a winner for a tender, although price matters. Political motives also influence Turkmenistan's choice of suppliers, particularly when President Berdimuhamedov has made a comment favoring a certain company or country. For several years, the Turkmen Government has favored Chinese manufacturers, although that preference may be ending (reftel). Chinese companies provide post-sales service and maintenance as well as cheaper spare parts. In general, manufacturers, or their authorized dealers, have a higher chance of winning tenders than middlemen because the Turkmen Government insists on availability of post-sale service and repair within Turkmenistan.

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¶6. (SBU) COMMENT: Construction and energy sector tenders are the most numerous and attract the most bidders, in part because the government has a better record of payment for large-scale projects. Other sectors, including machinery, are not as competitive because there are fewer companies that could provide the required equipment or parts. As with most transactions in Turkmenistan, there is both an official procedure for bidding on tenders, and unwritten rules that are just as important. If the unwritten rules are not followed, a company generally finds itself at a serious disadvantage. END COMMENT.
ECKSTROM